
BREXIT: All you need to know for VAT and Customs

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Introduction



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Brexit

The basics



The UK has left the EU. It is in a transitional period until 31 December 2020. There will be no extension to the transitional period. Deadlines for trade negotiations were pushed back to October, with the EU Council meeting 15-16 October deadline having been passed. Boris Johnson tells UK businesses to prepare for “No-Deal”.



From 1st January 2021 all movements of goods between the UK and EU become exports and imports.

Simplified Intra-EU trade rules disappear and the spotlight is on Customs Duty and VAT and how businesses will deal with these issues.

We are concentrating on goods as these are mainly affected. Alison and Jayant will highlight key VAT changes affecting services.

Only weeks to go for the UK and EU to agree a trade deal.

A Deal means free trade and 0% tariffs. Customs declarations and VAT issues remain.

No Deal means additional cost of Customs Duties and different tariffs for the UK and EU. Customs declarations and VAT issues.

Lets look at these in detail

Polling question #1



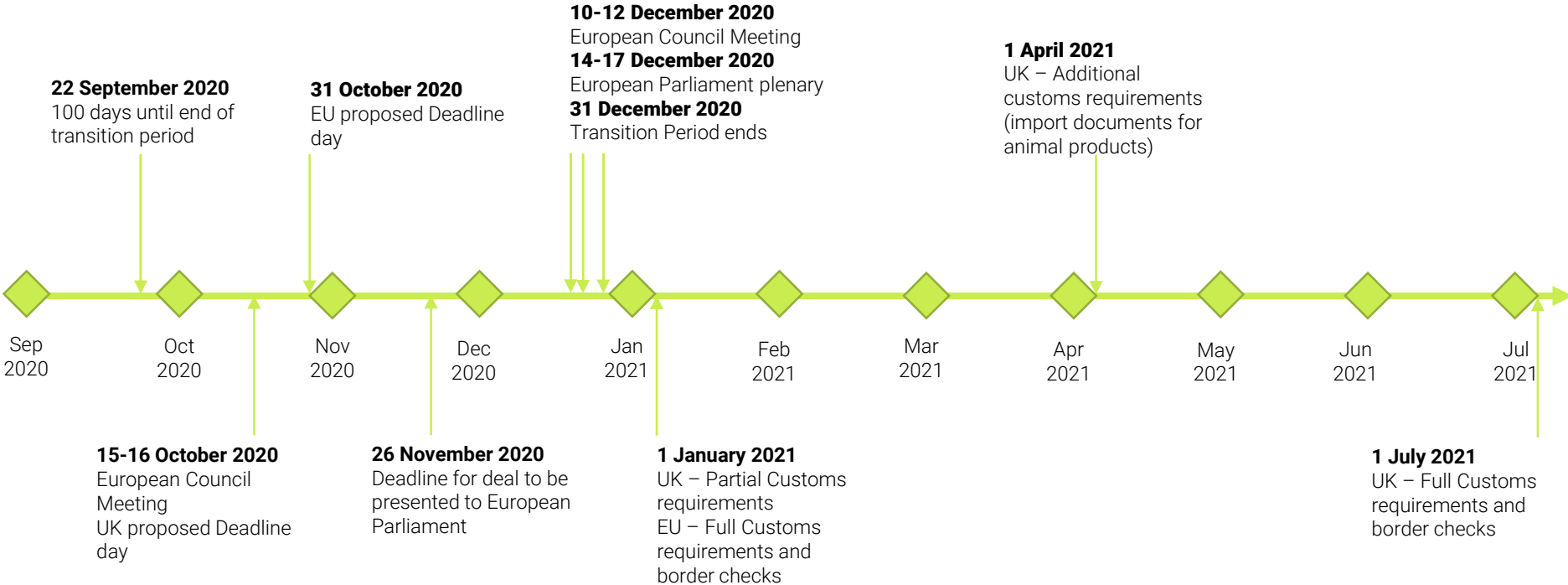
What is the status of your
Brexit preparations?

- A. All set!
- B. Not started yet
- C. Don't know where to start

Respond to this polling question within the Zoom pop-up



Brexit Timeline



What is the position of governments at the moment?



Selbst bei Regenschirmen müssen sie draufzahlen
Experte sagt „Tsunami bei den Insel-besovern“ voraus

APPEL BREXIT-GRITEN

Columns & Opinie Uitsicht Wetenschap Meraen De Gids Cultuur

NIEUWS ONDERHANDELINGEN

Johnson richt zich tot de Britten: bereid u voor op een No Deal Brexit

De Brexit-onderhandelaar van de Europese Unie, Michel Barnier, zal maandag niet zoals gepland naar Londen komen voor verdere besprekingen. Zijn Britse collega David Frost heeft hem vrijdag laten weten dat zo'n bezoek weinig zin heeft als de EU bij de onderhandelingen niet een fundamenteel andere

Brexit : Boris Johnson demande Britanniques de se préparer à u
En réaction, Emmanuel Macron a estimé que « les Vingt-Sept ont heureux le premier ministre de Grande-Bretagne ».

Par Cécile Ducourteaux et Virginie Malgouyres - Publié le 10 octobre 2020 à 10h34 - M

Lecture 5 min.

Oproep minister Kaag en sta u voor op Brexit

Gepubliceerd op 21 oktober 2020 | Gewijzigd op 21 oktober 2020

Minister Kaag (Buitenlandse Handel en Ontwikkelingssamenwerking) en staatssecretaris Kaljauer (Economische Zaken en Klimaat) roepen tienduizenden ondernemers in hun brief van 21 oktober op om zich goed voor te bereiden op Brexit.

In de brief brengen Kaag en Kaljauer er begrip voor op dat ondernemers het tijden opmerkelijk zwaar hebben. Maar ze wijzen hen er op om eerlijke afspraken te maken dat ze klaar zijn voor de gevolgen van Brexit. Vanaf 1 januari 2021 in de overgangperiode wordt er verandert er van alles bij het zaken doen met het Verenigd Koninkrijk. Het nog 2 maanden te gaan, moeten bedrijven zich opmaken voor deze nieuwe werkdag.

It's VAT, Jim, but not as we know it: William Shatner laments post-Brexit rules



William Shatner, who with counterparts in Star Trek has a lot of experience of what makes life on the ground change in a post-Brexit world.

At the fictional captain of the Starship Enterprise his job was to "beefily go where no one has gone before".

Trade Talks: Fishing

In each treaty, the fishing industry contributes little to the British economy. So why is it proving such a sticking point in negotiations?



Fishing boats in Hastings, England. Through 2 weeks' negotiations, the fishing industry has given ministers plenty of reasons to be in the UK.

Polling question #2



What do you think that the outcome will be of the negotiations?

- A. Deal
- B. No Deal
- C. Something else...

Respond to this polling question within the Zoom pop-up



Customs and import changes

1

UK Global Tariff (UKGT)

- ❑ New UK tariff;
- ❑ EU operates the current EU Common External Tariff (CET);
- ❑ The main differences to the CET are:
 - Simplification into bandings 2% -20% (e.g. 6.5% > 6%)
 - Scrapping of “nuisance” tariffs under 2%
 - Removal of complicated calculations on agricultural goods
 - Use the tariff checker to compare your commodity codes

2

Postponed Import VAT accounting

- ❑ Change to declaration which means no import VAT is charged at the time; and
- ❑ Cash flow benefit to all UK VAT registered trader.

3

Duty Deferment Account – Good news

- ❑ Just announced. Import VAT taken out of the guarantee calculation. UK companies can apply for a waiver for Duty Deferment guarantee if the amount is under £10k and good compliance record;
- ❑ For companies over 10k, good compliance and proof of net assets and liquidity.



Customs and import changes

4

E-Commerce changes

- Low Value consignment relief is removed for the UK but remains in the EU for 6 months; and
- VAT implications which J & M will cover

5

Northern Ireland Protocol - Trade Support System (TSS)

News flash - By registering by 23 November it will create a NI EORI number

- New Online Portal for declaring goods going into Northern Ireland from GB;
- May be used to collect 'rebateable' customs duties; and
- GB businesses should register before 23 November



Incoterms

1

The importance of Incoterms

- ❑ This determines who will be the importer and responsible for Duty and VAT;
- ❑ DDP means the Seller is the importer – VAT registration will be required in receiving country; and
- ❑ EXW, FCA and DAP means the Buyer is the importer.



INTERCOMS® 2020 RULES

	Any Transit Mode		Sea/Inland Waterway Transport				Any Transit Mode				
	EXW	FCA	FAS	FOB	CFR	CIF	CPT	CIP	DPU	DAP	DDP
	Ex Works	Free Carrier	Free Alongside Ship	Free On Board	Cost & Freight	Cost, Insurance & Freight	Carriage Paid To	Carriage, Insurance Paid To	Delivered At Place Unloaded	Delivered At Place	Deliver Duty Paid
Transfer of risk	At Buyers Disposal	On Buyer's Transport	Alongside Ship	On Board Vessel	On Board Vessel	On Board Vessel	At Carrier	At Carrier	At Named Place Unloaded	At Named Place	At Named Place
Obligations and Charges											
Export Packaging	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading Charges	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Delivery to Port	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Export Duty, Taxes & Security Clearance	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Origin Port Changes	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Loading on Carriage	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller	Seller	Seller
Freight Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller	Seller
Insurance						Seller		Seller			
Destination Terminal Charges	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller	Seller	Seller	Seller
Customs Clearance	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Customs Duties	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller
Delivery to Destination	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Buyer	Seller	Seller

A typical supply chain post Brexit,
UK business trading with the
EU

VAT and the B2B trade in goods
in case of a no deal Brexit:



Sell EXW –

export declaration, buyer or seller?

- Customer is Importer of record to the EU.

Sell DDP –

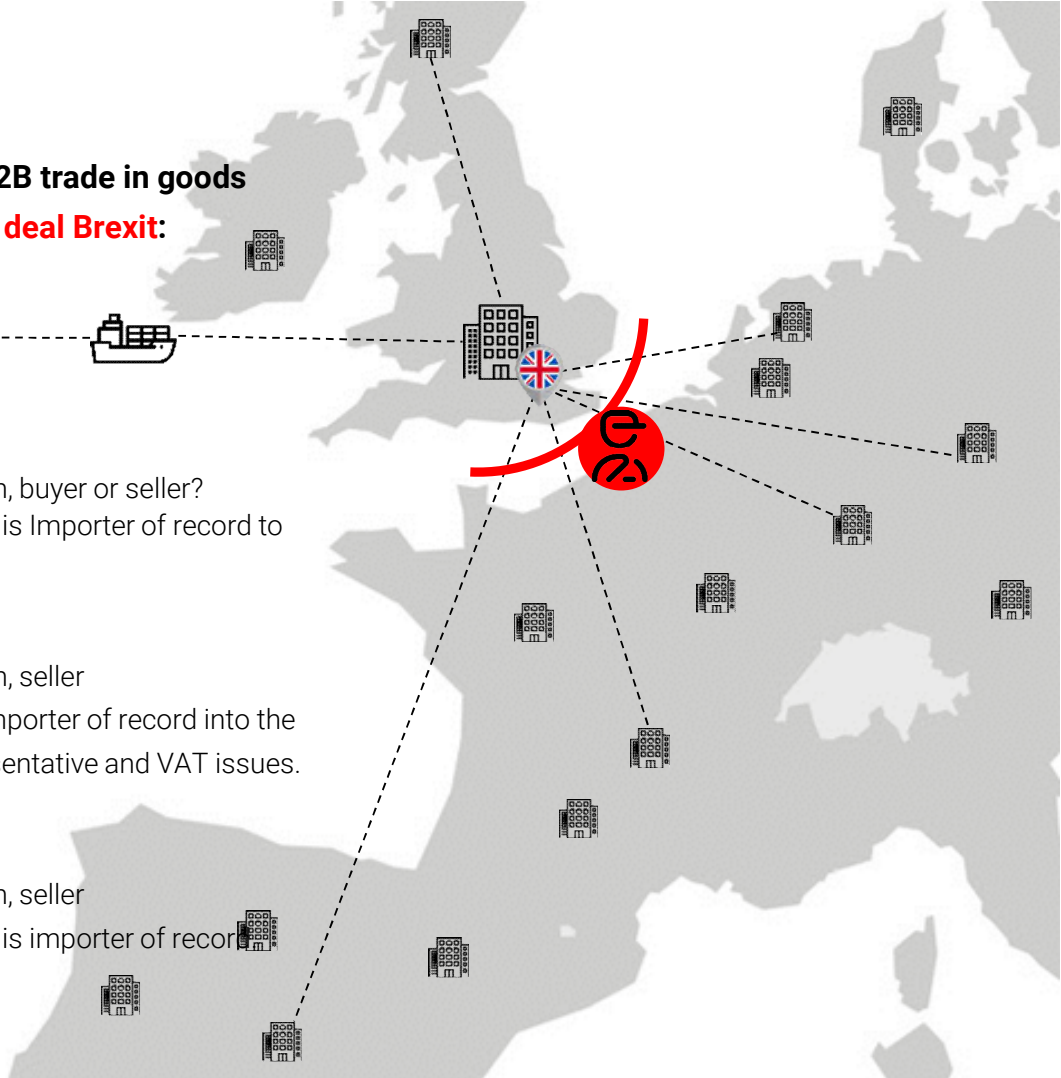
export declaration, seller

- Seller is importer of record into the EU Representative and VAT issues.

Sell DAP –

export declaration, seller

- Customer is importer of record



Polling question #3



**Are you currently an importer
of record for goods moving
from the U.K. into the EU?**

- A. Yes
- B. No
- C. Don't know / not applicable

Respond to this polling question within the Zoom pop-up





Customs regimes

1

Customs Relief Regimes – to help minimise duty costs

- ❑ **Customs warehousing** – Avoids Double Duty hit. Beneficial for UK companies who import goods into the UK for onward dispatch to EU – duty only once when goods finally imported into the EU.
- ❑ **Inward Processing Relief** – Avoids Double Duty hit. Companies who import materials/components for processing only pay duties on processed goods retained in the UK. The items imported into EU Duty paid there. Without it Duty charged into the UK and then into the EU.
- ❑ **CFSP** – Allows companies to submit their own customs declarations – useful for businesses with large volumes or a customs warehouse.
- ❑ **Approved exporter** – If trade deal is agree – origin will be vitally important. Allows companies to simplify origin documentation – reducing costs and delays.

Import



From the EU
& ROW

UK Import
Suspends
Duty and VAT

Storage

UK Customs
Warehouse



Removal

UK Customs
Declaration
- Duty & VAT
due on goods



Export from
the UK
- No duty & VAT
due in UK



Import into the EU - The importer may incur duty.

Key considerations:

Who is the importer? Is it the supplier or the customer?

The importer is responsible for any duty and VAT.

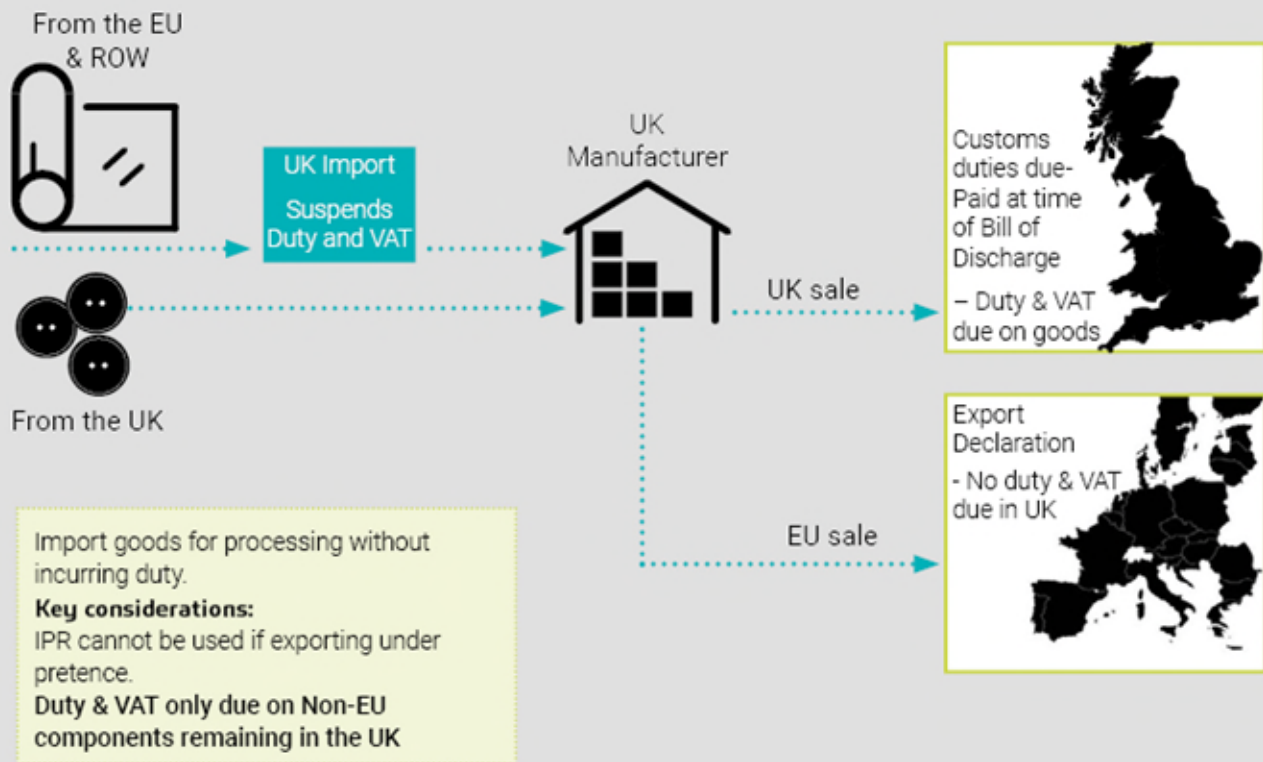
UK sale

EU sale

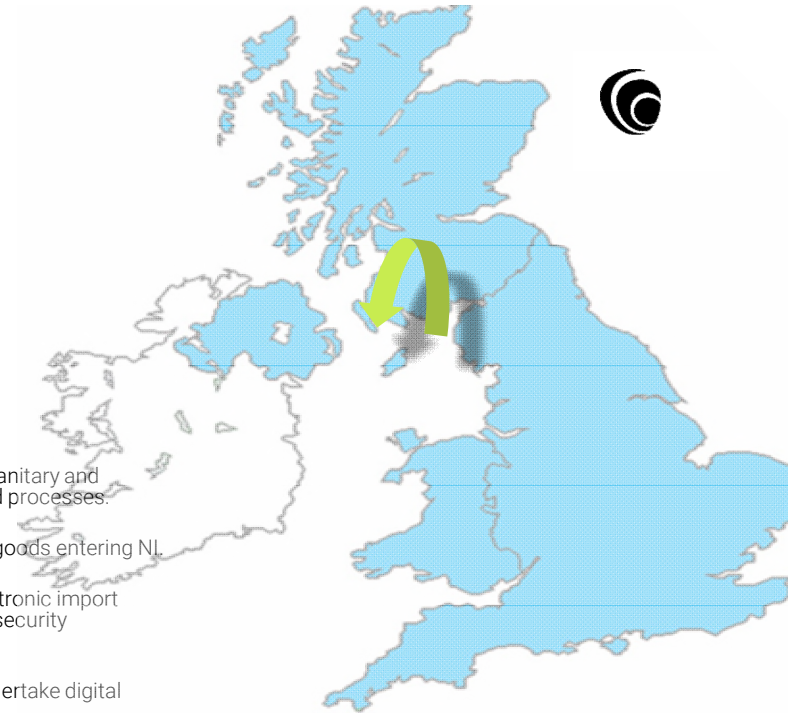
Import

Processing

Onward Supply



Northern Ireland



Great Britain to Northern Ireland

- ❑ Food and agricultural products – and all sanitary and phytosanitary – will be subject to specified processes.
- ❑ UK authorities apply EU customs rules to goods entering NI.
- ❑ New process for traders, notably new electronic import declaration requirements, and safety and security information.
- ❑ New Trader Support Service (TSS) will undertake digital processes on behalf of traders.

NI to EU

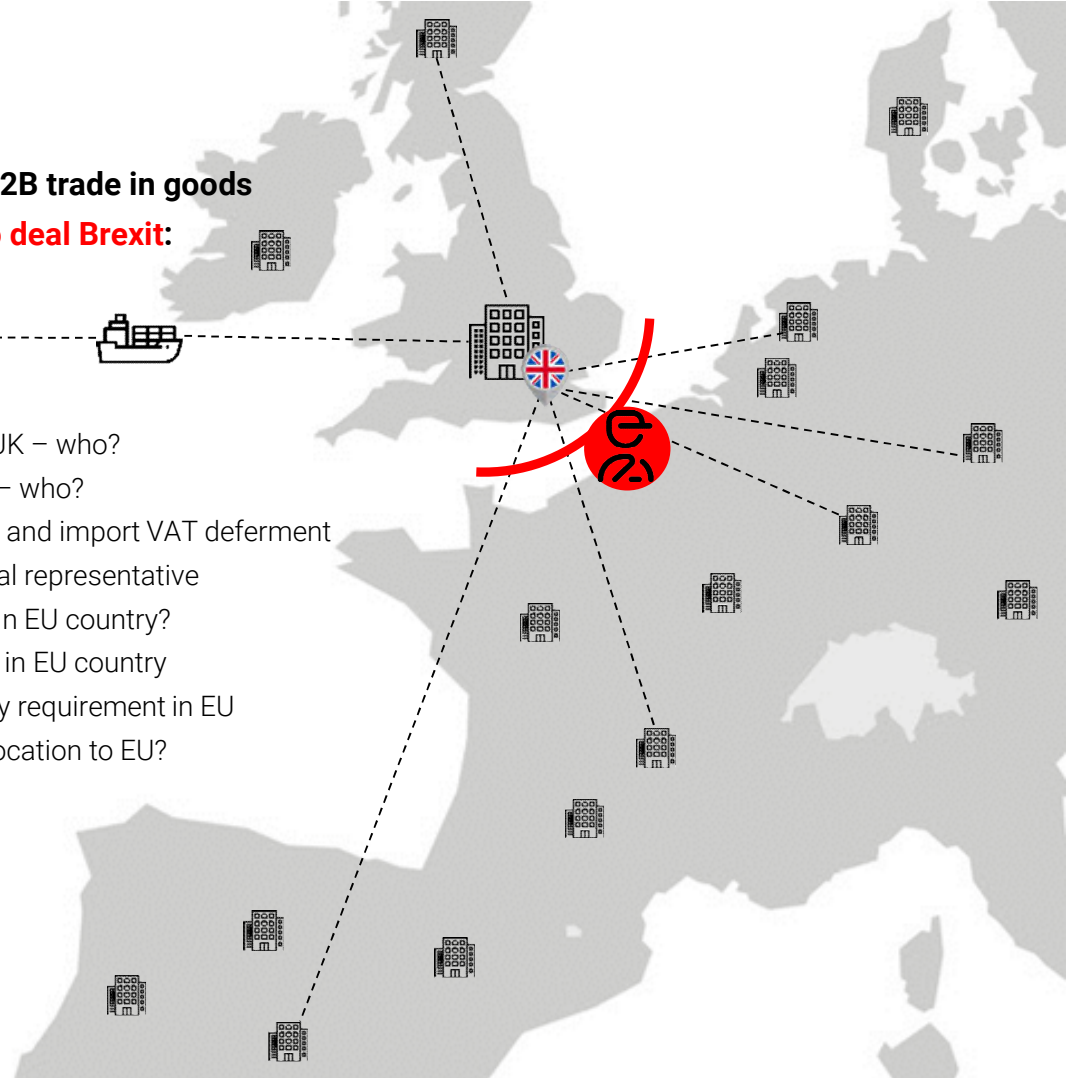
- ❑ No new paperwork; no tariffs, quotas or checks on rules of origin; nor any barriers to movement within the EU Single Market for goods in free circulation in Northern Ireland.
- ❑ No EU Member State will be able to apply any tariff or related barriers to goods from Northern Ireland.

How does Brexit impact UK businesses trading with the EU?

VAT and the B2B trade in goods in case of a no deal Brexit:



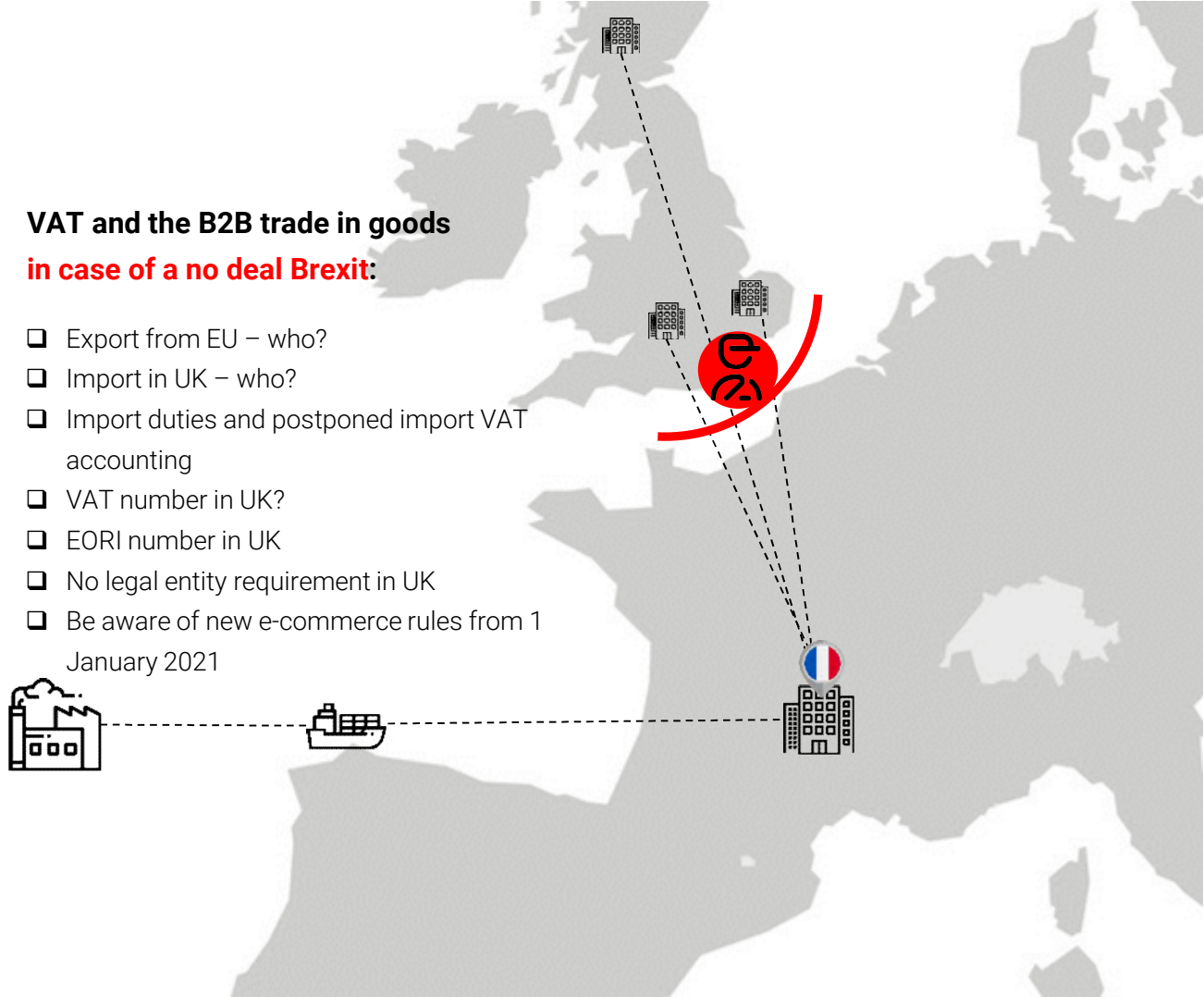
- Export from UK – who?
- Import in EU – who?
- Import duties and import VAT deferment
- Required fiscal representative
- VAT number in EU country?
- EORI number in EU country
- No legal entity requirement in EU
- Move stock location to EU?



How does Brexit impact EU businesses trading with the UK?

VAT and the B2B trade in goods in case of a no deal Brexit:

- Export from EU – who?
- Import in UK – who?
- Import duties and postponed import VAT accounting
- VAT number in UK?
- EORI number in UK
- No legal entity requirement in UK
- Be aware of new e-commerce rules from 1 January 2021



How does Brexit impact UK businesses trading with the EU?

VAT and the B2C sale of goods in case of a no deal Brexit:



- Distance selling regime will no longer apply if goods are sent to the EU.
- All supplies of goods coming from the UK to the EU will be an export in the UK and an import in the EU.
- Payment of the import VAT and import duties: your company or the consumer?
- Pricing on the website accurate, incl. responsibility for import in the EU country?
- New EU VAT regulation for e-commerce of July 1, 2021 applicable in EU, but not for goods coming from UK.




How does Brexit impact EU businesses trading with the UK?

VAT and the B2C sale of goods

in case of a no deal Brexit:

- Distance selling regime will no longer apply if goods are sent to the UK.
- All supplies of goods coming from the EU to the UK will be an export in the EU and an import in the UK.
- Is the supply below £135? New rules apply from 1 January 2021
- Payment of the import VAT and import duties: your company or the consumer?
- Pricing on the website accurate, incl. responsibility for import in the UK?





Other VAT issues?

VAT simplification rules no longer applicable for the UK **in case of a no deal Brexit:**



- Triangular transactions, including the simplified triangular scheme
- Call-off stock simplification
- Installation of goods
- Distance selling rules (B2C e-commerce)



Other key issues- a longer term strategy?



Labelling and packaging legislation

- EU legislation requires FBO's (Food Business Operators) and many other sectors to provide an EU address on their labels.
- Part of a longer term strategy – establishment?
- Short term solution – Trust Company in NL who will act as representative. Can your EU Distributor help?

CE Marks

- 16 July 2021. CE Marks legislation requires an EU establishment or authorised representative, name and address on products and documents.
- Declaration of conformity to confirm that machinery and electrical products meet EU legislation.

UK CA Marking

- From 1st January 2021 BUT can continue to use CE Marking until January 2022.
- Similar legislation to EU.

Administrative issues

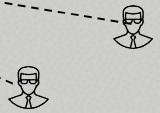
- Agents
- Declarations
- Fiscal representatives. Limited vs General
- VAT registrations

How does Brexit impact UK businesses trading with the EU?

B2C e-services in case of a no deal

Brexit:

- ❑ Electronic services (online media, apps, streaming, online books, online games)
- ❑ VAT due in EU countries of consumers
- ❑ Payment of EU VAT due via MOSS return in UK?
- ❑ Registered for MOSS in U.K. → change to other EU country, as MOSS no longer available as of January 1, 2021 in U.K.

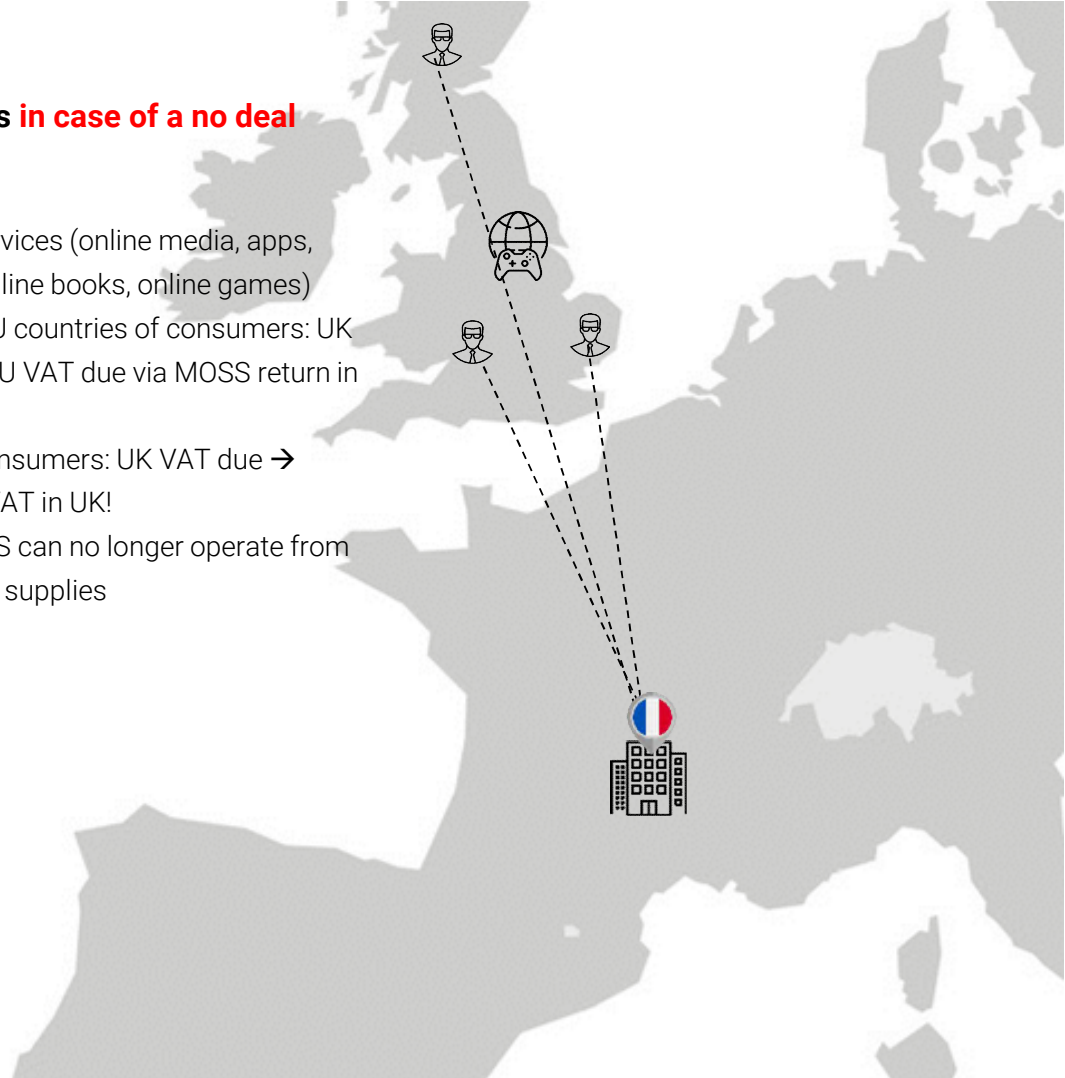


How does Brexit impact EU businesses trading with the UK?

B2C e-services in case of a no deal

Brexit:

- ❑ Electronic services (online media, apps, streaming, online books, online games)
- ❑ VAT due in EU countries of consumers: UK
- ❑ Payment of EU VAT due via MOSS return in France?
- ❑ B2C to UK consumers: UK VAT due → Register for VAT in UK!
- ❑ Non-EU MOSS can no longer operate from the UK for EU supplies



Other VAT issues?

VAT simplification rules no longer applicable for the UK in case of a no deal Brexit:



- ❑ VAT refund claims submitted by UK companies in the EU or by EU companies in the UK: companies can still use the EU VAT refund system to claim VAT on expenses incurred before January 1, 2021, until 11PM on March 31, 2021.
- ❑ The EU VAT refund system will not be available to claim refund of VAT incurred on or after January 1, 2021.
 - UK businesses must check the procedure in each EU country for refunds to non-EU businesses
 - EU businesses must check the procedure for the UK, but likely to be a refund procedure

Checklist



ANALYZE YOUR SUPPLY CHAIN AND PRICING



CHECK YOUR PARTNERS IN CUSTOMS, LOGISTICS AND TAX REPS



CHECK THE CONTRACTS CLOSED WITH ALL PARTIES RELEVANT FOR YOUR BUSINESS



ARRANGE ALL FORMALITIES

AND IF YOU HAVEN'T STARTED YET: START TODAY!



Polling question #4

**What additional information
would you like to receive?**

- A. VAT registration and EORI number in EU
- B. VAT registration and EORI number in UK
- C. Customs warehousing
- D. Customs licenses
- E. Customs tariffs
- F. Supply chain restructuring
- G. Webshop sales to customers in EU / UK
- H. New e-commerce rules 2021 in EU / UK

Multiple answers possible

Respond to this polling question within the Zoom pop-up



A scenic view of the Palace of Westminster in London at sunset. The sky is a mix of blue and orange. In the foreground, a large black rectangular box is centered, containing the word "Questions?" in a bright yellow-green font. Below the box, several red double-decker buses are visible on a street. The Palace of Westminster, including the Elizabeth Tower (Big Ben), is visible in the background. A Union Jack flag is flying on a pole to the right.

Questions?

Contact us



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Thank you

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